# MSME Taxpayer Compliance Based on Fiscal Policy (Study on MSMEs in the Cracker and Salted Fish Industries in Kenjeran, Surabaya)

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**ABSTRACT:** This research aims to analyze how MSMEs (Micro/Small/Medium Enterprises) taxpayers comply with their tax payment obligation based on Fiscal Policy.

The research population consists of MSME taxpayers living in Surabaya. The sample includes 52 respondents, selected using a purposive sampling method. A questionnaire was used as the instrument, and the data were analyzed using the SEM Approach with Warp PLS 6.0.

The results showed that the compliance behavior of taxpayers, their willingness to negotiate, and the preparation of financial reports based on profit management have significant positive impacts on tax obligations, as measured by voluntary tax compliance. However, the tax morale of taxpayers also has some negative impacts on tax obligations, as measured by voluntary tax compliance.

Novelty has found that the compliance of the taxpayers in running their tax obligation is influenced by the taxpayers' behavior itself. Not because of the rules, but because they running it judging from their economic and financial condition using the Fiscal Policy Approach for MSMEs and the Conceptual Approach viewed from the opinion developed by that tax policy.

**KEYWORDS:** Fiscal Policy, Taxpayers Behavior, Tax Obligation, *Voluntary Tax Compliance*.

## 1. INTRODUCTION

The application of Fiscal Policy for Micro/Small/Medium Enterprises (MSMEs) ought to follow economic dynamics. The decrease in acceptance level from the tax sector pushes the government to do some tax extensification by excavating the potential of income tax from MSMEs. The tax acceptance from MSMEs has a big enough opportunity. However, to gain that tax, they need comprehension from the taxpayers about how their behavior affects their tax obligation. The Tax General Directorate becomes the institution that has the job of compiling the state's revenue to guarantee the state's sovereignty and state's independence. Taking care of a sovereign and independent country needs to increase the revenue creating the taxpayers' behavior level in running the compliance of Voluntary Tax Compliance and esteem fair judgment maintenance. The service gives facilities technology to simplify taxpayer's obligation fulfillment, with the support of integrated, professional, and competent tax employees also gives compensation based on a good performance management system, to guarantee the assemblance based on the high loyalty of Voluntary Tax Compliance.The estimation model about the taxpayers' behavior of MSMEs in running their tax obligation is based on Planned Behavior Theory, where each behavior being loyal to their tax obligation is the basis of intention from those taxpayers that consist of each belief with the results from the occurred behavior and the evaluation about the result that will shape the attitude in fulfilling their tax obligation.The tax obligations for MSMEs are based on the income tax policy framework outlined in Government Regulation No. 46/2013, which was amended by Government Regulation No. 23/2018. The policy taken is to provide ease and simplification in calculating income tax, with a final tax rate of 0,5% of business turnover, and financial reporting using bookkeeping for MSMEs with a turnover of ≤ 4.8 billion IDR.

## 2. PREVIOUS RESEARCH

Individual self-employed MSMEs subjects tend to be less compliant compared to corporate taxpayers  (Hartono, 2023)They often have a limited understanding of tax regulations, which places them in a non-compliant group. Additionally, the lack of

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information available at tax offices hinders the examination of reported income, creating opportunities for self-employed taxpayers to report their income inaccurately. Many MSMEs subjects operating in the informal sector have little to no records of their transactions, making it difficult for tax administration to monitor their tax compliance.

Research on the relationship between taxpayers' compliance and voluntary tax compliance shows varying compliance measurements from an economic perspective, as noted by Alm et. al. (1992) and Harinurdin (2009), which found that compliance does not affect voluntary tax compliance. A study by Mar'atussholihah et. al. (2013) examined compliance based on the readiness of government officials to provide facilities for taxpayers, yielding inconsistent results. To bridge this gap or controversy, it is necessary to test whether taxpayers' compliance behavior will enhance voluntary tax compliance.

To improve MSME taxpayers' compliance, the government implements fiscal policies, an economic strategy aimed at improving economic conditions. In fiscal policy for MSMEs, the government has changed regulations from Government Regulation No. 46 of 2013 to Government Regulation No. 23 of 2018, and subsequently to Government Regulation No. 55 of 2022. Changes include reducing the tax rate from 1% to 0,5% and extending the period for MSMEs to maintain records: 7 years for sole proprietorships, 4 years for partnerships and cooperatives, and 3 years for limited liability companies (PT).

The low compliance of MSME taxpayers is attributed to overly burdensome tax policies. For example, research by Mwangi and Nganga (2006) indicates that MSMEs in Nigeria, despite their high potential, struggle due to high tax rates that are seen as burdensome. Conversely, Atawodi and Ajeka (2012) found a negative relationship between tax revenue and the ability of SMEs in Nigeria to survive and grow their businesses, attributing this to heavy tax burdens, multiple taxation, complex tax regulations, and a lack of education and information related to taxation.

The implementation of inappropriate fiscal policies for MSMEs can lead to non-compliance. Research by Jayanto (2011) examined taxpayers non-compliance using variables such as attitude, subjective norms, and moral obligations, which all influenced the intention to behave non-compliantly. The study found that attitudes toward tax non-compliance did not significantly affect the intention to be non-compliant. The formation of reserve funds and the perception of tax utilization influenced attitudes, while subjective norms significantly affected taxpayer non-compliance, and moral obligation did not impact tax professionals' intention to act non-compliantly.

Taxpayers' non-compliance is analyzed through taxpayers' behavior, as shown by Hidayat and Nugroho (2016), who conducted an empirical study on the Theory of Planned Behavior and the influence of moral obligation on individual taxpayer non-compliance behavior. The results indicated that the influence of attitude on behavioral intention is negative and not significant, subjective norms positively influence behavioral intention but are not significant, while moral obligation positively and significantly affects behavioral intention. Perceived behavioral control negatively and not significantly affects behavioral intention, while behavioral intention positively and significantly influences actual behavior.

Taxpayers' behavior in fulfilling tax obligations utilizes accounting strategies in reporting finances, referred to as earnings management. For example, research by Marlina (2014) tested the influence of earnings management and tax sanctions on tax compliance. Earnings management, which is management's decision to minimize or maximize profits, is measured by practices such as *taking a bath, income minimization, and income smoothing*. Tax compliance is a state where taxpayers adhere to their tax obligations and rights following applicable tax regulations. The results of the study indicate that earnings management influences tax compliance, and tax sanctions also affect tax compliance, contingent upon taxpayers' behavior (THartono, 2024).

The urgency of this research, in terms of theory and methodology development, is as follows: understanding why individuals comply or do not comply with tax rules has attracted significant interest. Although there is notable interest in tax compliance research from various perspectives, understanding the variables that influence taxpayer compliance, based on taxpayer behavior, remains limited. This study investigates behavioral variables using the Theory of Planned Behavior (TPB) framework to explore respondents' behavioral beliefs and control beliefs that drive taxpayers to behave compliantly or non-compliantly (Ajzen, 2006).

## 3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 3.1. Compliance and Taxpayers' Behavior

Taxpayers' compliance in fulfilling their obligations is a complex behavioral issue that requires methods and data sources for investigation. Applying heavy sanctions and audits can backfire, potentially leading to greater bribery or corruption, resulting in non-compliance with regulations. To enhance taxpayers' compliance or reduce the tax evasion, it is essential to understand taxpayers' compliance behavior (Pope, 2008). According to the Minister of Finance Regulation No. 544/KMK.04/2000, "Tax

compliance is the action of taxpayers in fulfilling their tax obligations following the provisions of the legislation and the applicable tax regulations in a country."

### 3.2. Factors Influencing Compliance Levels

According to Mardiasmo (2013: 72-76), several factors can influence taxpayers' compliance levels, including:

a. **Understanding of the Self-Assessment System:** There are several tax collection systems:

1. *Official Assessment System:* A condition where tax owed is determined by the fiscus (government).
2. *Self-Assessment System:* A tax collection system where taxpayers calculate their tax obligations.
3. *Withholding System:* A tax collection system where the amount owed is determined by a third party.

The *self-assessment* system implemented in Indonesia fully entrusts taxpayers to report, calculate, and pay their own tax liabilities. This method will be effective if taxpayers have a high level of tax awareness, honesty, and discipline in adhering to applicable tax laws.

b. **Quality of Service:** The dimension of service quality is a performance process to assist following established procedures or policies, requiring sensitivity in decision-making and good interpersonal relationships to create job satisfaction and success The essence of public service includes:

1. Improving the quality and productivity of government tasks in public service.
2. Conducting public service systems and procedures more efficiently and effectively.
3. Encouraging the growth of creativity, initiative, and comprehensive community participation for clean governance to enhance welfare.

Quality service must provide security, comfort, smoothness, and legal certainty. Service quality can be measured by the ability to provide satisfying service, responsiveness, capability, courtesy, and trustworthiness of tax officials. Additionally, good communication, understanding of taxpayer's needs, availability of adequate physical facilities, and competent staff are essential (Ni Luh, 2006).

c. **Income Level:** A taxpayer's income as a tax object in income tax is closely related to the amount of tax owed. Moreover, income levels also affect taxpayers' compliance in timely tax collection and fulfilling tax obligations, making income levels a critical consideration in tax collection.

d. **Taxpayers' Perception of Tax Sanctions:** Tax sanctions are imposed on taxpayers to promote awareness and compliance with tax obligations. Tax sanctions under tax laws include administrative penalties (such as fines and interest) and criminal sanctions. The existence of tax sanctions is expected to enhance taxpayer compliance.

*.H1: Taxpayers' compliance behavior has a positive and significant effect on tax obligations (Voluntary Tax Compliance).*

### 3.3. Tax Avoidance and Tax Evasion

The causes of tax avoidance and tax evasion include high tax rates, inadequate laws, ineffective penalties, and blatant unfairness. When such conditions arise, tax avoidance and evasion are likely to increase (Devano and Rahayu, 2006). Tax evasion refers to the illegal manipulation of the tax system to avoid paying taxes by deliberately ignoring tax laws.

### 3.4. Compliance with Social Norms

According to Taylor (2006: 266), compliance is fulfilling the demands of others, meaning it is an action based on the desires of others. Social groups formed by individuals have rules to ensure structured interactions and smooth activities, and social norms established by the group must be adhered to by every individual within the group.

Federich (in Umami, 2010: 26) states that compliance with social norms occurs when regulations are legitimized according to the context of social norms and group values. There are three forms of behavior:

**a. Conformity:** A type of compliance behavior influenced by social conditions, leading individuals to adjust their attitudes and actions to align with existing social norms.

**b. Compliance:** The tendency of individuals to desire something influenced by communication from knowledgeable or trusted individuals, resulting in actions that align with existing social norms.

**c. Obedience:** A form of behavior where individuals submit entirely to those in authority, which is not based on anger or increased aggression, but rather on the relationship with the authority figure.

*H2: Negotiation tendencies positively and significantly influence tax obligations (Voluntary Tax Compliance).*

### 3.5. Moral Concepts and Tax Compliance Behavior

Tax morale can be defined as the intrinsic motivation to comply with and pay taxes, thereby contributing voluntarily to the provision of public goods (Torgler & Schneider, 2004). Tax morale is a key determinant explaining why people are honest about

tax matters. Tax compliance refers to the state where taxpayers fulfill all tax obligations and exercise their tax rights, which can be categorized into formal compliance and material compliance. Formal compliance means taxpayers fulfill tax obligations in accordance with the formal provisions of tax law, while material compliance means they substantively meet all material tax provisions according to the essence and spirit of the tax laws (Nurmantu, 2000).

*H3: Tax morale positively and significantly affects tax obligations (Voluntary Tax Compliance).*

### 3.6. Earnings Management

One common measure of a company's performance used as a basis for business decision-making is the earnings generated by the company. Earnings management, according to Asyik (2000: 23), can be conducted through three techniques: (1) changing accounting methods from previous methods to increase or decrease earnings, (2) influencing financial reports by manipulating judgment (policies) of accounting estimates, and (3) allowing management to incorporate subjectivity in estimates, shifting periods of costs or revenues (often referred to as operational decision manipulation). For example, this could involve accelerating or delaying expenses for research and development until the next accounting period, accelerating or delaying expenses for promotion until the next period, collaborating with vendors to accelerate or delay invoice deliveries until the next accounting period, and selling the invests to manipulate the earnings and manage the constant inactive selling.

### 3.7. Relationship Between Perception and Behavior in Financial Reporting

Indrawijaya (2010) identifies three main elements in the perception process: (1) cognition, (2) learning processes, and (3) problem-solving or behavior selection processes. Stimuli received will influence individual perceptions, which will be followed by learning processes that connect past experiences with the present, enabling individuals to derive various possible actions, leading them to re-engage in learning or encounter new stimuli. Perception involves an individual's observations using cognitive components influenced by personal factors, such as knowledge, observation habits, interests or desires to behave, personal or group interests, and social and cultural experiences.

One common measure of a company's performance used for business decision-making is the earnings generated by the company. Earnings management, as defined by Widyaningdyah (2001: 92), can be divided into two categories: earnings management in terms of accounting method selection and earnings management in a narrow sense, defined as managers "playing" with discretionary accrual components in determining earnings. Earnings management represents managerial actions to increase (or decrease) earnings.

*H4: Earnings management positively and significantly affects tax obligations (Voluntary Tax Compliance).*

### 3.8. Relationship Between Perception of Tax System Effectiveness and Compliance of MSME Taxpayers

Perception can be described as a process of organizing and interpreting stimuli by an organization or individual, thus creating meaning and integrated activity within the individual. Effectiveness refers to a measurement indicating how far targets (quality, quantity, and time) have been achieved (Nila and Pancawati, 2011). Research by Muliari and Ery (2011) shows that a positive perception of tax system effectiveness positively influences the willingness to pay taxes. A favorable perception will positively impact observed events. The better the perception of tax system effectiveness, the higher the taxpayers' willingness to pay taxes. Based on this, a positive perception influences taxpayer compliance.

*H5: Fiscal Policy Perception positively and significantly affects tax obligations (Voluntary Tax Compliance).*

### 3.9. *Theory of Planned Behavior*

According to Azwar (2013: 9), psychology views human behavior as reactions that can be simple or complex, where intrinsic forms of behavior are used to maintain life. It is noted that one interesting characteristic of human behavioral reactions occurs when a single stimulus can elicit multiple different responses, and several different stimuli can elicit the same response. Behavior is a function of individual characteristics and the environment, where individual characteristics consist of various variables such as motives, values, personality traits, and attitudes that interact with each other and with factors influencing behavior. The *Theory of Planned Behavior* explains that the non-compliance behavior of taxpayers is heavily influenced by variables related to attitudes, subjective norms, and perceived behavioral control. Behavior resulting from individuals arises from the intention to act. According to Ajzen (2006), the Theory of Planned Behavior states that behavior determined by an individual arises from an interest in acting. There are three behavioral factors involved in the intention to act: *Behavioral Beliefs* are individual beliefs about the outcomes of a behavior and evaluations of those outcomes, *Normative Beliefs* are beliefs about the normative expectations of others and motivations to meet those expectations, and *Control Beliefs* are beliefs about the presence of factors that facilitate or inhibit the behavior being displayed, and perceptions of how strong those facilitating or inhibiting factors are (perceived power).

*H6: Taxpayers' compliance behavior positively and significantly affects tax obligations (Voluntary Tax Compliance) mediated by fiscal policy.*

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*H7: Negotiation tendencies positively and significantly affect tax obligations (Voluntary Tax Compliance) mediated by fiscal policy.*

*H8: Tax morale positively and significantly affects tax obligations (Voluntary Tax Compliance) mediated by fiscal policy.*

*H9: Earnings management positively and significantly affects tax obligations (Voluntary Tax Compliance) mediated by fiscal policy.*


## 4. METHODOLOGY

### 4.1. Population and Sample

The target population for this research is individual or corporate taxpayers (PT, CV, Firma, and Cooperatives) in Surabaya, with an annual gross revenue not exceeding IDR 4,800,000,000. These companies were established before 2012 and do not use bookkeeping for tax reporting, but rather keep records. The sample size determined for this study is 52 respondents, targeting the leaders or representatives of small and medium enterprises (SMEs) in the processing industry in Surabaya. Among the 52 data points, the composition of business entities is as follows: CV 38%, PT 27%, individual 16%, cooperative 12%, and others 7%.

### 4.2. Variable Measurement

The variables used in this study are adjusted according to relevant concepts and indicators. A Likert scale is used for measurement, with categories of strongly agree (SS) scored as 5, agree (ST) as 4, neutral (N) as 3, disagree (TS) as 2, and strongly disagree (STS) as 1. The measured variables include:

a. **Taxpayer Compliance Behavior:** Based on Alm et al. (1991) and Kep Men Keu 792/PMK/03/2007, measured by accuracy in submitting SPT, completeness of filling, correctness of calculations, quality of service, understanding of regulations, awareness of timely payment, and perception of sanctions.

b. **Negotiation Tendencies:** Referring to Devano and Rahayu (2006), measured by understanding of regulations, calculation procedures, payment obligations, and willingness to negotiate in tax payments.

c. **Tax Morality:** According to Torgler & Schneider (2004), measured by trust in the legal system, national pride, religiosity, tax evasion, financial conditions, and economic conditions.

d. **Earnings Management:** Referring to Asyik (2000), measured through techniques such as income minimization, income maximization, income smoothing, and timing of revenue recognition.

e. **Perception of Fiscal Policy:** Measured by simplification of filling, calculation, payment of SPT, tariffs, and voluntary tax compliance.

### 4.3. Data Analysis

This research uses SEM PLS as the data analysis process with WarpPLS version 6.0. The analysis process is conducted in two stages:

a. **Outer Model Test:** To determine the correlation values of latent variables, validity, and reliability of variables, as well as R Square ($R^2$).

b. **Inner Model Test:** To determine path coefficient values, T-statistics, and total effects, which indicate the extent of variation of independent variables on dependent variables.

Reliability is measured by Cronbach's alpha and composite reliability values. Indicators are considered reliable if they meet the criteria: Cronbach's alpha ≥ 0.5 and composite reliability ≥ 0.7, as well as AVE > 0.5.


**Table 1. Validity and Reliability Test**

| Variable | omposite Reliability | Cronbach's Alpha | AVE | Information |
|---|---|---|---|---|
| PrKWP | 0,901 | 0,868 | 0,559 | Valid & Reliable |
| KB | 0,846 | 0,780 | 0,578 | Valid & Reliable |
| MP | 0.897 | 0,864 | 0,561 | Valid & Reliable |
| ML | 0,963 | 0.951 | 0,838 | Valid & Reliable |
| KF | 0,892 | 0,861 | 0,590 | Valid & Reliable |
| VTC | 0,881 | 0,828 | 0,601 | Valid & Reliable |

*Source: Primary Data Year 2023 processed with WarpPLS version 6.0*

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Table 1 shows that the composite reliability values for the six latent variables are greater than 0.7, while the Cronbach's alpha values for all variables are above 0.5. This indicates that each indicator variable is reliable or dependable in measuring its latent variable. Additionally, all constructs display an AVE value greater than 0.50, meeting the requirements according to the minimum AVE threshold of 0.50.

## 4.4. Structural Model Evaluation *(Inner Model)*

The structural model is assessed by the percentage of variance explained, using R-squared values for endogenous latent variables. Solimun (2017) suggested that before doing the interpretation of the results, the model should have Goodness of Fit (GoF). menganjurkan bahwa sebelum dilakukan interpretasi terhadap hasil pengujian, maka model seharusnya memiliki Goodness of fit (GoF). GoF is also tested to ensure model validity.

In the context of PLS-SEM, the model fit measures in Warp PLS 6.0 include 10 indices: Average Path Coefficient (APC), Average R-Square (ARS), Average Adjusted R-Square (AARS), Average Block Variance Inflation Factor (AVIF), Average Full Collinearity VIF (AFVIF), Tenenhaus GoF (GoF), Simpson's Paradox Ratio (SPR), R-Square Contribution Ratio (RSCR), Statistical Suppression Ratio (SSR), and Nonlinear Bivariate Causality Direction Ratio (NLBCDR). The rule of thumb for evaluating model fit and quality indices in Warp PLS 6.0 is presented in Table 2.

**Table 2. Model Fit Calculation Results**

| No | Model Fit and Quality Indicators | Research Results | Accepted Value | Ideal Grade | Conclusion |
|---|---|---|---|---|---|
| 1 | Average Path Coefficient (APC) | 0.335 | P<0.002 | | APC Significant |
| 2 | Average R-squared (ARS) | 0.818 | P<0.001 | | ARS Significant |
| 3 | Average Adjusted R- sguared (AARS) | 0,800 | P<0.001 | | AARS Significant |
| 4 | Average Block VIF (AVIF) | 1.988 | If ≤ 5 | 3.3 | AVIF Ideal |
| 5 | Average Full Collinearity (AFVIF) | 2.803 | Acceptable if ≤ 5 | ≤ 3.3 | AFVIF Acceptable |
| 6 | Tenenhaus Gof (GoF) | 0,694 | Small ≥ 0.1 Medium ≥ 0.25 Large ≥ 0.36 | - | GoF Medium |
| 7 | Sympson"s Paradox Ratio (SPR) | 0,778 | Acceptable if ≥ 0.7 | 1 | SPR Acceptable |
| 8 | R-squared Contribution Ratio (RSCR) | 0,963 | ≥ 0,9 | | RSCR Accepted |
| 9 | Statistical Suppression Ratio (SSR) | 1.000 | ≥ 0.7 | | SSR Accepted |
| 10 | Nonlinier Bivariate Causality Direction Ratio (NLBCDR) | 0.944 | ≥ 0.7 | | NLBCDR Accepted |

*Primary Data Processed (2024)*

Table 2 shows that the model fit criteria are met, indicating that the research model is valid and represents the data well.

## 4.5. Research Results

The results of the structural model testing (inner model) can be observed from the R-squared ($R^2$) values for each endogenous variable: fiscal policy and voluntary tax compliance. R-squared ($R^2$) is used to measure the level of variation in the endogenous variables explained by a number of influencing variables (Hartono and Abdillah, 2009). The higher the $R^2$, the better the proposed predictive model. The results of the study indicate an $R^2$ value of 0.74.

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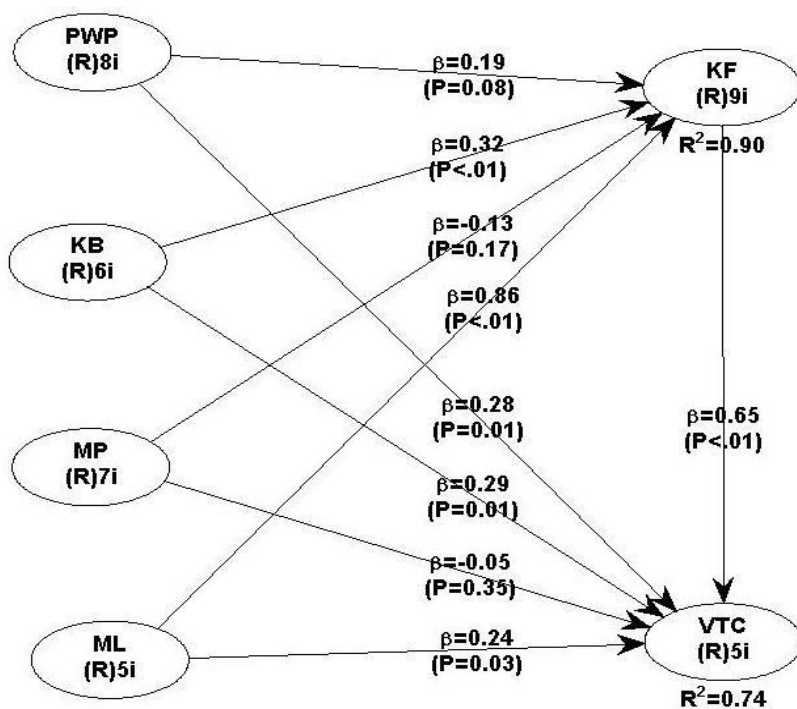


Figure 1. Research Results Model

Table 3. Results of Path Coefficient Testing on the Inner Model

| Relationship between Variables | Path Coefficient | Standard Deviation | P | Decision |
|---|---|---|---|---|
| Taxpayer Compliance Behavior ⮕ Voluntary Tax Compliance | 0,28 | 0,06 | <0,01 | Significant Positive Influence |
| Negotiation Desire ⮕ Voluntary Tax Compliance | 0,29 | 0,06 | <0,01 | Significant Positive Influence |
| Tax Morality ⮕ Voluntary Tax Compliance | -0,05 | 0,06 | 0,035 | Negative Influence, Not Significant |
| Earnings Management ⮕ Voluntary Tax Compliance | 0,24 | 0,06 | <0,03 | Significant Positive Influence |
| Fiscal Policy ⮕ Voluntary Tax Compliance | 0,65 | 0,06 | <0,01 | Significant Positive Influence |
| Taxpayer Compliance ⮕ Fiscal Policy | 0,19 | 0.05 | <0,08 | Significant Positive Influence |
| Negotiation Desire ⮕ Fiscal Policy | 0,32 | 0,17 | <0,01 | Significant Positive Influence |
| Tax Morality ⮕ Fiscal Policy | 0,13 | 0,05 | 0,020 | Significant Positive Influence |
| Earnings Management ⮕ Fiscal Policy | 0,86 | 0,73 | <0,01 | Significant Positive Influence |

*Source: Processed Primary Data, 2024*

Table 3 and Figure 1 illustrate the relationships between variables, described as follows: taxpayer compliance behavior, the desire to negotiate, providing financial reports based on earnings management, and fiscal policy on voluntary tax compliance have a positive and significant effect. This means there is a relationship between compliance behavior, negotiation desire, earnings management, and fiscal policy on voluntary tax compliance. However, tax morality's influence on voluntary tax compliance has a negative and insignificant coefficient, meaning it has a reverse direction; if tax morality increases, voluntary tax compliance may decrease, with only a slight relationship between the two.

Taxpayer compliance behavior, the willingness of taxpayers to negotiate, tax morale, and the obligation to manage

finances through profit management have positive coefficient directions and are significant in relation to fiscal policy. This indicates a relationship between taxpayer compliance behavior, the willingness to negotiate, tax morale, and profit management in relation to fiscal policy.

### 4.6. Results of Mediation Variable Testing

The mediation testing method can be performed by examining indirect path testing. Table 4 shows the coefficients and p-values for assessing mediation effects.

**Table 4.** Hypothesis Testing Results for Mediation Testing

| No | Relationship between Variables | | | Path Coefficient | P-value | Description |
|---|---|---|---|---|---|---|
| | **Mediation Variable Testing 2 Segments** | | | | | |
| | Independent Variable | Mediation Variable | Dependent Variable | Indirect Path Coefficient | P-value | Description |
| 1 | Taxpayer Compliance Behavior | Fiscal Policy Perception | Voluntary tax compliance | 0,05 | 0,02 | Mediation |
| 2 | Negotiation Desire | Fiscal Policy Perception | Voluntary tax compliance | 0,11 | <0,01 | Mediation |
| 3 | Tax Morality | Fiscal Policy Perception | Voluntary tax compliance | 0,03 | 0,03 | Mediation |
| 4 | Earnings Management | Fiscal Policy Perception | Voluntary tax compliance | 0,25 | <0,01 | Mediation |

The results indicate that fiscal policy mediates the relationships between taxpayer compliance, negotiation desire, tax morality, and earnings management on voluntary tax compliance with a p value of <0.05, making fiscal policy a mediation variable.

### 4.7. Hypothesis Testing Results of Mediation Effects

This research presents nine hypotheses: five for direct effects, four for indirect effects, and one assessing the mediation variable effect.

**Table 5.** Hypothesis Testing Results

| Hypothesis | Second Order Research Construction | Path Coefficient | P-Value | Conclusion |
|---|---|---|---|---|
| H 1 | KWP ⮕ VTC | 0,284 | <0,001 | Positive, significant |
| H 2 | KB ⮕ VTC | 0,286 | <0,001 | Positive, significant |
| H 3 | MP ⮕ VTC | -0,054 | 0,192 | Negative, not significant |
| H 4 | ML ⮕ VTC | 0,244 | <0,001 | Positive, significant |
| H 5 | KF ⮕ VTC | 0,652 | <0,001 | Positive, significant |
| H 6 | KWP ⮕ KF ⮕ VTC | 0,188 | <0,001 | Positive, significant |
| H 7 | KB ⮕ KF ⮕ VTC | 0,323 | <0,001 | Positive, significant |
| H 8 | MP ⮕ KF ⮕ VTC | -0,125 | 0,020 | Positive, significant |
| H 9 | ML ⮕ KF ⮕ VCT | 0,862 | <0,001 | Positive, significant |

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## 5. DISCUSSION

### 5.1. The Influence of Taxpayers Compliance Behavior on Voluntary Tax Compliance

The analysis of the influence of taxpayer compliance behavior on voluntary tax compliance shows a positive and significant effect. This result indicates that improving taxpayer compliance behavior, which includes timely submission of tax returns due to the sanctions for delays, can enhance voluntary tax compliance. However, the government's role is also necessary, particularly for taxpayers using e-filing and e-SPT. Supported by research by Mar'atussholihah et al. (2013), taxpayer compliance is influenced by tax knowledge, tax officer service quality, and tax rates. These factors collectively and significantly impact taxpayer compliance.

Taxpayer awareness of timely payment of tax obligations, understanding the fair imposition of tax sanctions for violations, can increase voluntary tax compliance. In other words, increased taxpayer compliance will result in higher voluntary tax compliance. Supported by Alm et al. (1992) and Harinurdin (2009), the tax compliance model considers moral, social dynamics, and tax culture factors. Susmiatun and Kusmuriyanto (2014) examined compliance by considering tax knowledge, strict tax sanctions, and tax fairness, showing that tax knowledge, sanctions, and fairness significantly affect MSME taxpayer compliance.

### 5.2. The Influence of Negotiation Tendency on Voluntary Tax Compliance.

Negotiation is a structured communication process where two or more parties with different goals communicate to reach an agreement beneficial to all, resolving issues and finding solutions with mutual benefit. The hypothesis results show a positive and significant effect, indicating that taxpayers sometimes negotiate because they have the authority and responsibility to calculate, account for, and report their taxes under the self-assessment system. This highlights that MSME taxpayers may lack understanding of how to calculate payable taxes. Jayanto (2011) examined taxpayer non-compliance through attitudes, subjective norms, and morals, showing that while tax non-compliance attitudes do not impact non-compliance intentions, subjective norms significantly influence taxpayer non-compliance intentions.

### 5.3. The Influence of Tax Morality on Voluntary Tax Compliance

The hypothesis results show a negative and non-significant effect, implying that increasing tax morality could reduce voluntary tax compliance. Tax morality represents an intrinsic motivation to comply and pay taxes, explaining why taxpayers are honest about taxation. If taxpayers trust the legal system, their commitment to compliance will increase. Trust in the legal and tax system reflects the relationship between the state and its citizens. If individuals perceive the state as trustworthy, taxpayer compliance will likely increase, enhancing tax compliance behavior. Tax morality is positively and significantly correlated with tax compliance, influenced by social factors, demography, and deterrence factors such as tax penalties. Tax religiosity, affecting individual rule-breaking tendencies, can limit intentions to evade taxes, as seen in research by Torgler and Schneider in a church (2004).

This study is supported by Cahyonowati (2011), who researched tax morale and compliance. The results showed that social and demographic factors do not affect tax morale, while only tax penalties among deterrence factors have a negative and significant effect on tax morale. Tax morale, however, has a positive and significant effect on tax compliance levels. A different study by Hidayat and Nugroho (2016) empirically examined the Theory of Planned Behavior and the influence of moral obligation on individual tax non-compliance behavior. The study examined: the influence of attitude on behavioral intention, the influence of subjective norms on behavioral intention, the influence of moral obligation on behavioral intention, the influence of perceived behavioral control on behavioral intention, and the influence of behavioral intention on behavior. The results showed that the influence of attitude on behavioral intention is negative and not significant, the influence of subjective norms on behavioral intention is positive and not significant, the influence of moral obligation on behavioral intention is positive and significant, the influence of perceived behavioral control on behavioral intention is negative and not significant, and the influence of behavioral intention on behavior is positive and significant.

### 5.4. The Influence of Earnings Management on Voluntary Tax Compliance

The hypothesis shows a positive and significant effect, with financial reporting through earnings management arising from accounting regulations. Earnings management is the deliberate effort to reduce fluctuations in earnings to appear normal within the company's allowed levels. Differences in interests between taxpayers and the government encourage taxpayers to minimize tax obligations. This is in line with Marlina's (2014) study, which showed that earnings management and tax penalties significantly influence tax compliance. Earnings management affects taxpayer compliance, suggesting that when it is aligned with fiscal policies for MSMEs, voluntary tax compliance increases.

### 5.5. The Influence of Fiscal Policy on Voluntary Tax Compliance

The hypothesis test results indicate a positive and significant impact, meaning that improvements in tax systems and regulatory changes can enhance taxpayer compliance. Voluntary tax compliance can be achieved if tax systems, including tax policies and administration, are well managed and tax revenue allocation is appropriately implemented. In line with Syafiqurrahman et al. (2017), research shows that fiscal policy positively affects MSME taxpayer compliance, and Nashrudin et al. (2014) finds that perceptions of fiscal policy have a significant positive impact on voluntary tax compliance.

### 5.6. The Influence of Taxpayer Compliance Behavior on Voluntary Tax Compliance Mediated by MSME Fiscal Policy

The hypothesis shows a positive and significant effect as the government has promoted voluntary tax compliance for MSMEs through fiscal policy under PP 23 of 2018. This regulation includes final income tax on earned income, which is part of the presumptive regime approach in taxation. Supported by research by Nurpratiwi et al. (2015), taxpayers generally agree on the simplicity and efficiency of MSME income tax policy.

The concept of behavior expressed by Duncan in Indrajaya (2010) forms the basis for the relationship between perceptions of fiscal policy and voluntary compliance. Amalah (2013) found in her study that perceptions of tax administration reform have a significant and positive influence on taxpayer compliance.

### 5.7. The Influence of Negotiation Tendency on Voluntary Tax Compliance Mediated by MSME Fiscal Policy

The study shows a positive and significant impact, indicating that MSME taxpayers may lack understanding of fiscal policy and struggle to distinguish between income subject to final tax and non-final tax. However, taxpayers generally perceive the new policies as simpler and more convenient for tax compliance.

In line with the study by Syafiqurrahman et al. (2017), which analyzed the impact of fiscal policy on government efforts to improve Indonesia's economy through the MSME sector, the results showed that fiscal policy positively affects the sustainability of MSMEs and positively influences government efforts to improve the economy through MSME taxpayer compliance. Similarly, Nashrudin et al. (2014) researched perceptions of fiscal policy on voluntary tax compliance. The results showed that perceptions of fiscal policy have a positive impact on voluntary taxpayer compliance.

### 5.8. The Influence of Tax Morality on Voluntary Tax Compliance Mediated by MSME Fiscal Policy

Research indicates a negative and significant impact, highlighting that taxpayer compliance is greatly influenced by tax morality. Taxpayer compliance behavior includes fulfilling all tax obligations and understanding the moral aspect of taxation as part of good citizenship.

Taxpayer compliance behavior is where taxpayers fulfill all their tax obligations and rights, while non-compliance is a condition in which taxpayers do not meet their tax obligations, often due to factors that can lead to tax avoidance. The moral aspect in taxation is important for improving compliance, as shown in the study by Hidayat and Nugroho (2016), who conducted an empirical study on the Theory of Planned Behavior and the influence of moral obligation on individual taxpayer non-compliance behavior. Cahyonowati (2011) also researched tax morale and compliance using social factors, demographics, and deterrence factors. The results showed that social factors and demographics do not affect tax morale, but tax morale does influence tax compliance levels. Referring to these studies, this research examines taxpayer non-compliance by observing taxpayer behavior.

### 5.9. The Influence of Earnings Management on Voluntary Tax Compliance Mediated by MSME Fiscal Policy

The research results indicate a positive and significant influence, showing that if profit management is conducted in line with fiscal policy for MSMEs, it can enhance tax obligations (voluntary tax compliance). Profit management for tax purposes often encounters pressures to increase profits; however, the aim of profit management to minimize the amount of tax owed does not necessarily mean that fiscal profit should be less than accounting profit. Instead, minimizing the difference between taxable profit and accounting profit can avoid overpayment and reduce the likelihood of audits.

These hypothesis results align with Marlina's (2014) study, which examined the impact of profit management and tax sanctions on tax compliance. The findings indicate that profit management affects tax compliance, and tax sanctions influence tax compliance, which is closely tied to taxpayer behavior.

## 6. CONCLUSIONS AND SUGGESTIONS

### 6.1. Contributions

a. **Theoretical Contribution:** This research contributes and enriches the fields of social management and psychology by applying behavioral theory, positing that as society and its government become more advanced, the awareness to pay taxes

increases, yet a critical stance toward tax policies also becomes more pronounced. Therefore, in efforts to enhance voluntary compliance, social behavior theory can be applied.

b. **Practical Contribution:** This research provides practical contributions to the government in its efforts to improve fiscal policy reform and develop an administrative authority system. The authority required by a tax authority should be proportional to the available resources. Taxes collected should be based on the law, ensuring legal certainty both for tax officials as collectors and for taxpayers as payers.

## 6.2.    Research Limitations
This study does not include MSMEs (Micro, Small, and Medium Enterprises) that maintain accounting records where tax obligations are calculated based on fiscal profits using the rates under Article 17 of Tax Law No. 36 of 2008. It does not consider the role of the government as the administrator in implementing the fiscal policy, nor does it take into account the financial condition and facilities of taxpayer companies. Poor financial conditions within a company can indirectly lead to negative actions from the staff, including non compliance. The facilities provided by a company can influence tax professionals' actions regarding applicable tax regulations. Data were collected through questionnaires, without interviews, so the researcher could not observe respondents' reactions when filling out the questionnaires.

## 6.3.    Suggestions for Future Research
Future research should involve MSMEs with gross revenue of ≤ IDR 4,800,000,000 that maintain accounting records where tax obligations are calculated based on fiscal profits using the rates under Article 17 of Tax Law No. 36 of 2008. Future studies are also advised to explore the role of the government as the administrator in implementing fiscal policies and consider the financial and facility variables of taxpayer companies. Poor financial conditions can indirectly prompt negative behavior from staff, including tax non-compliance.

## 6.4.    Conclusion
An increase in taxpayer compliance can encourage voluntary tax compliance. When taxpayer compliance improves, including the timely submission of tax returns to avoid penalties, government intervention is especially needed for taxpayers reporting through e-filing and e-SPT. Negotiation is a structured communication process aimed at reaching agreements beneficial to all parties, resolving issues, and finding solutions to problems with the hope that everyone benefits. Taxpayers are entrusted with the authority and responsibility to calculate, account for, and report their taxes. Sometimes, taxpayers may need to negotiate to reduce tax debts due to calculation, payment, and reporting errors.

Tax morale represents an intrinsic motivation to comply with and pay taxes, explaining why some taxpayers are honest about tax matters. Tax compliance refers to a state where taxpayers meet their formal tax obligations. If taxpayers trust the legal system, this trust can be strengthened because it influences taxpayers' commitment to and compliance with regulations.

Earnings management arises due to weaknesses in accounting regulations and is a deliberate effort to reduce or smooth fluctuations in what is considered a company's normal profit. This reflects the management's efforts to reduce abnormal profit variations within permissible accounting principles. This behavior occurs due to differing interests between companies as taxpayers and the government as tax collectors, motivating taxpayers to minimize their tax obligations.

Fiscal policies aimed at tax system improvement and regulation changes can enhance taxpayer compliance. Voluntary tax compliance can be achieved when the tax system, including tax policies and administration, is well-managed, and tax revenues are appropriately allocated through sound government spending policies. In an effort to encourage voluntary tax compliance and increase contributions from MSMEs, the government has issued fiscal policies under Government Regulation (PP) No. 46 of 2013, amended by PP No. 23 of 2018, and subsequently by PP No. 55 of 2022. These fiscal policies aim to simplify the collection, reporting, and enhance tax fairness for MSMEs with a gross turnover of less than 4.8 billion IDR.

The desire to negotiate taxpayer compliance mediated by fiscal policy shows that MSME business actors have limited understanding of fiscal policy and are unable to distinguish between income subject to final and non-final taxation. However, taxpayers have a positive perception of tax policy, recognizing paying taxes as an obligation. Regarding fiscal policy, most taxpayers acknowledge that recent policies simplify and facilitate tax compliance. Negotiations occur in cases of calculation errors, leading to requests for tax penalty waivers and payment deferrals. Tax penalties serve as a guarantee that taxpayers will not violate tax provisions, with the expectation that penalties be clear, strict, and uncompromising to create a deterrent effect.

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